



Lubbock District

Small Business Resource Guide

**U.S. Small Business Administration
Lubbock District Office
1205 Texas Avenue, Room 408
Lubbock, Texas 79401-2693
806-472-7462
1-800-676-1005
www.sba.gov/tx/lubbock**

**www.sba.gov
1-800 – U ASK SBA**

Message from the District Director

The U. S. Small Business Administration offers opportunities for all Americans to start, build and grow their own businesses. The Lubbock District Office has developed this Resource Guide to provide you with an overview of the district and the programs and services available to assist you as you develop your business.

Working with our partners-the Small Business Development Centers, the Service Corps of Retired Executives, the Certified Development Companies, and jointly with bankers, chambers of commerce, state and local economic development agencies-we hope to provide the support needed to assist you in becoming a successful entrepreneur.

Please take advantage of the services provided by our partners. These partners provide small businesses with assistance in planning, marketing and meeting the many challenges that face existing and prospective business owners.

We hope the information provided will answer many of your questions. Best wishes in your entrepreneurial endeavors.

Sincerely,

*Tom W. Dowell
District Director*

<u>SBA FACTS AND DISTRICT MAP</u>	<u>3</u>
<u>MISTAKES TO AVOID</u>	<u>5</u>
<u>STARTING YOUR OWN BUSINESS</u>	<u>6</u>
<u>BUSINESS PLAN</u>	<u>10</u>
I. EXECUTIVE SUMMARY	10
II. THE COMPANY	10
III. PRODUCT OR SERVICE DESCRIPTION	10
IV. MARKET RESEARCH AND ANALYSIS	10
V. THE MARKETING PLAN	11
VI. OPERATIONS	11
VII. FINANCIAL DATA	11
VIII. INVESTMENT REQUIRED	11
XI. APPENDIX	11
<u>PURCHASING AN EXISTING BUSINESS</u>	<u>15</u>
<u>BUSINESS ORGANIZATION AND TAXES</u>	<u>16</u>
REGISTERING THE BUSINESS NAME	20
FEDERAL INCOME TAXES	20
SELF-EMPLOYMENT TAX	22
SALES TAX	22
FRANCHISE TAX	23
EMPLOYMENT TAXES	23
EXCISE TAXES	23
TAXPAYER IDENTIFICATION NUMBER	23
ELECTRONIC FEDERAL TAX PAYMENT SYSTEM (EFTPS)	24
<u>BUSINESS RECORDS</u>	<u>24</u>
<u>LICENSES AND PERMITS</u>	<u>24</u>
<u>BUSINESS INSURANCE</u>	<u>26</u>

PROPERTY (BUILDINGS AND CONTENTS)	28
LIABILITY INSURANCE (PREMISES AND OPERATIONS)	28
AUTO	28
MISCELLANEOUS	28
WORKER'S COMPENSATION	28
OCCUPATIONAL ACCIDENT BENEFIT PLANS	29

HIRING EMPLOYEES **30**

REQUIREMENTS	30
EMPLOYEE HANDBOOK	30
TEXAS UNEMPLOYMENT COMPENSATION ACT	31
TEXAS WORKFORCE COMMISSION TAX OFFICES	31
THE ADA: YOUR RESPONSIBILITIES AS AN EMPLOYER	32
POSTERS YOU MUST DISPLAY	33

FINANCING OPTIONS **35**

HOW TO RAISE MONEY FOR A SMALL BUSINESS	35
FINDING THE MONEY YOU NEED	35
BORROWING MONEY	35
TYPES OF BUSINESS LOANS	36
HOW TO WRITE A LOAN PROPOSAL	37

HELPFUL INTERNET ADDRESSES **39**

FINANCING YOUR BUSINESS **40**

INTRODUCTION	40
SBA'S PROGRAM OF FINANCIAL ASSISTANCE	40

QUICK REFERENCE TO SBA LOAN PROGRAMS **43**

PROCUREMENT MARKETING AND ACCESS NETWORK (PRO-NET) **47**



SBA LUBBOCK DISTRICT OFFICE

1205 Texas Ave, Room 408
Lubbock, TX 79401-2693
(806) 472-7462
1-800-676-1005
FAX (806) 472-7487

www.sba.gov/tx/lubbock

The Lubbock District encompasses 67,676 square miles and is divided into 71 counties. Total population is 1.3 million. Small Businesses number approximately 105,974 and constitute approximately 98% of the total business population. Key industry categories are: Agriculture, Oil and Gas Production, Cattle Ranching, Services (Universities and Medical Facilities), and Retail.

The Lubbock District has 375 participant banks, with 272 having active SBA loans. There are 6 district Preferred Lenders, 9 “out of” district Preferred Lenders, 11 district Certified Lender banks and 3 district Certified Development Companies.

Twelve full-time individuals staff the Lubbock District Office. The SBA loan portfolio as of September, 2004 consists of approximately 1,499 business loans with a dollar value of over \$161 million. During Fiscal Year 2004, the Lubbock Office approved 362 loans, totaling over \$59.2 million.

DISTRICT DIRECTOR: Ext:
Tom Dowell 103

LEGAL DIVISION:
Calvin Jackson-Davis 112
District Counsel
Kay Lewis 114

ECONOMIC DEVELOPMENT:
Armando Garcia, Chief FD/ED 111
Scotty Arnold 102
Roger Henderson 107
Jonanna White 109
Kim Hobgood 115
Sally Parvin 116

ADMINISTRATION:
Josie Salinas, Administrative Officer 104
Abraham Chambers 100

INFORMATION RESOURCES:
Joe Norris 121

COMMERCIAL LOAN SERVICING CENTER

Little Rock Servicing Center 1-800-644-8564

RESOURCE PARTNERS

SMALL BUSINESS DEVELOPMENT CENTERS (SBDC)

www.nwtsbdc.org

Regional Office 2579 South Loop 289, Suite 210,
Lubbock, TX (806) 745-3973
Regional Director Craig Bean
Assoc. Regional Director Dr. Allen Carrigo
Procurement Assistance Center Otilo Castellano
Texas Tech University,
Lubbock—Steve Anderson (806) 745-1637
University of Texas/Permian Basin,
Odessa—Arthur Connor (432) 552-2455
West Texas A&M,
Amarillo—P. J. Pronger (806) 372-5151
Texas Tech University at Abilene
Abilene—Judy Wilhelm (325) 670-0300
Midwestern State University, Dallas Region
Wichita Falls – Jeannie Hilbers (940) 397-4373
Tarleton State University, Dallas Region
Stephenville – Ron Beck (254) 968-9330

SCORE (Service Corps of Retired Executives):

(806) 472-7462, ext 118

CERTIFIED DEVELOPMENT COMPANIES (504 PROGRAM)

Council Finance Inc,
Abilene—Tom Mann (325) 672-8544
Caprock Business Finance Corporation,
Lubbock—Tim Pierce (806) 762-8721
Texas Panhandle Regional Development Corp,
Amarillo—Doug Nelson (806) 372-3381

FOR MORE INFORMATION:

For more information on assistance available through the SBA, contact:

The SBA Answer Desk: 1-800-8-ASK-SBA

SBA Lubbock District Office Home Page: <http://www.sba.gov/tx/lubbock>

All of SBA's programs and services are provided to the public on a nondiscriminatory basis.



U.S. SMALL BUSINESS ADMINISTRATION TEXAS DISTRICT OFFICES

Top Five Mistakes Small Business Owners Need to Avoid

More and more people are starting businesses, often from their homes, without doing the necessary planning to guarantee success. Frequently, these new small business owners unwittingly make mistakes that can lead to bigger problems. In order to avoid the most common ones, business owners can do the following:

1. Have a Business Plan

Many businesses fail early on because they did not plan properly. Even if you are a one-person operation, a business plan is essential. A business plan establishes the financial feasibility of your business. It identifies the needs your company will satisfy and the products or services you will offer to meet those needs. In projecting revenues it takes into account the demographic and geographic characteristics of your target market. It sets milestones so that you know whether you are on track. In a competitive environment, marketing and sales strategies must be developed, and key managers and employees, if any, identified. Funds required to properly get started are crucial. Under-capitalization is the most frequent reason fledgling businesses fail, and a good business plan is the best way to help you determine how much money is really required to get your business plan, develop one. If you have one, refer to it often.

2. Don't Ignore Corporate Formalities

If your small business is a corporation, always put "Inc." or some form of corporate identification after the business' name on every document that identifies it – letterhead, correspondence, contracts, checks, business cards, and advertisements. If you fail to hold your business out to the public as a corporation, you may find yourself personally liable for its debts. Bylaws and shareholders agreements should be adopted, and an annual shareholders meeting held. Keep good minutes, and put them in the corporate book. File all

required reports with the state where you are incorporated in order to stay in good standing.

3. Segregate Business and Personal Expenses.

At a minimum, your business should have its own separate checking account. Avoid commingling business and personal expenses. A separate business credit card, or at least one dedicated entirely to business, should be used. The integrity of your business records may be all that saves you if the IRS decides to take a closer look at the books, or if you need to provide your bank with financial statements when applying for a business loan.

4. Don't Treat Employees as Contractors

In order to save money, many employers treat their workers as "independent contractors." By doing so, they avoid paying for benefits, employer's portion of Social Security, and unemployment taxes. However, the IRS makes the ultimate decision as to who is and who is not an independent contractor, and the law is stacked in favor of "employees." If the employer sets work hours, gives instructions on how the work is to be performed, or provides the tools for doing the job, chances are the IRS will say you have employees, not contractors. The price for misclassifying workers can be fatal for a small business, so treat your employees as employees.

5. Know When to Call In the Experts

You are an expert in the product your company builds or the service it provides. However, you cannot be expected to know every aspect of running a business. Knowing when to call in outside help is vital. Every business person needs access to financial, accounting, investment, legal, personnel and insurance experts to help them run their business. Judicious use of these professional resources can pay for itself many times over. You can't do it all yourself, and you could hurt your business if you try.

FIRST STEPS

STARTING YOUR OWN BUSINESS

Starting and managing a business takes motivation, desire and talent. It also takes research and planning.

Like a chess game, success in small business starts with decisive and correct opening moves. And although initial mistakes are not fatal, it takes skill, discipline and hard work to regain the advantage.

To increase your chance for success, take the time up front to explore and evaluate your business and personal goals. Then use this information to build a comprehensive and well-thought-out business plan that will help you reach these goals.

The process of developing a business plan will help you think through some important issues that you may not have considered yet. Your plan will become a valuable tool as you set out to raise money for your business. It should also provide milestones to gauge your success.

1. Getting Started

Before starting out, list your reasons for wanting to go into business. Some of the most common reasons for starting a business are:

- You want to be your own boss.
- You want financial independence.
- You want creative freedom.
- You want to fully use your skills and knowledge.

2. Next you need to determine what business is “right for you.” Ask yourself these questions:

- What do I like to do with my time?
- What technical skill have I learned or developed?
- What do others say I am good at?
- Will I have the support of my family?
- How much time do I have to run a successful business?
- Do I have any hobbies or interests that are marketable?

3. Then you should identify the niche your business will fill. Conduct the necessary research to answer these questions:

- What business am I interested in starting?
- What services or products will I sell?
- Is my idea practical, and will it fill a need?

- What is my competition?
- What is my business’s advantage over existing firms?
- Can I deliver a better quality service?
- Can I create a demand for my business?

4. The final step before developing your plan is the pre-business checklist. You should answer these questions:

- What skills and experience do I bring to the business?
- What will be my legal structure?
- How will my company's business records be maintained?
- What insurance coverage will be needed?
- What equipment or supplies will I need?
- How will I compensate myself?
- What are my resources?
- What financing will I need?
- Where will my business be located?
- What will I name my business?

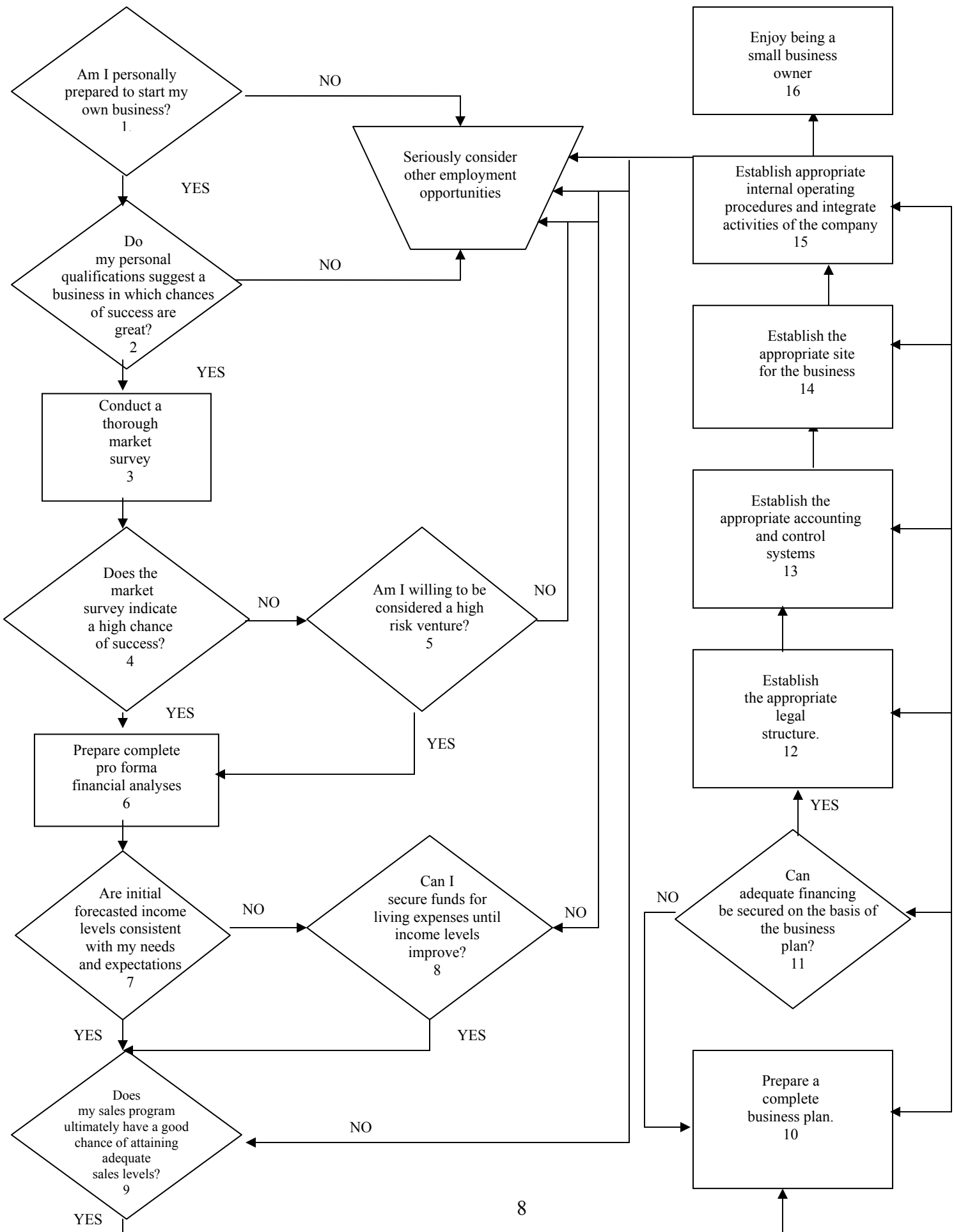
Your answers will help you create a focused, well-researched business plan, that should serve as a blueprint. It should detail how the business will be operated, managed and capitalized.

Are there grants to start my business?

Generally not. The Texas Comptrollers State and Federal Grant Directory is a computer-based system that acts as a clearinghouse for information on state and federal grants, loans and technical assistance for various types of programs. You can access the State and Federal Grant Directory through the Comptrollers *Window on State Government* at www.window.state.tx.us

A valuable resource to assist you is the Service Corps of Retired Executives or SCORE. Nationwide, 10,500 SCORE volunteers in nearly 400 chapters provide expert advice, based on their many years of firsthand experience and shared knowledge, on virtually every aspect of business. SCORE counselors are located at SBA field offices. For assistance and counseling, contact your Lubbock District SCORE Chapter at 1-800-676-1005, ext. 118 or 1-806-472-7462, ext. 118. Also, visit us at www.score.org .

THE SMALL BUSINESS AS A PROCESS



The **Small Business Development Center (SBDC)**, partially funded and administered by the SBA, provides a variety of management and technical assistance to small businesses and would-be entrepreneurs. They are a cooperative effort among the SBA, the academic community, the private sector, and state and local governments. Together with the SBA's certified development companies, they can help you prepare SBA loan applications. Contact your local Small Business Development Center for assistance with starting your own business, developing a business plan, and specialized workshops, etc.

Area Center	Address/Telephone Number	Director	Counties Served
Abilene Texas Tech Small Business Development Center	500 Chestnut, Suite 601 Abilene, TX 79601 325/670-0300 325/670-0311 FAX www.abilene-sbdc.org	Judy Wilhelm	Callahan, Cole, Kent, Knox, Fisher, Stonewall, Haskell, Throckmorton, Scurry, Jones, Shackelford, Stephens, Mitchell, Nolan, Taylor, Runnels
Amarillo West Texas A&M Small Business Development Center	2300 N. Western Street Amarillo, TX 79124 806/372-5151 806/372-5261 FAX www.amarillo-sbdc.org	P. J. Pronger	Dallam, Sherman, Hansford, Ochiltree, Lipscomb, Hartley, Moore, Hutchinson, Roberts, Hemphill, Oldham, Potter, Carson, Gray, Wheeler, Deaf Smith, Randall, Armstrong, Donley, Collingsworth, Parmer, Castro, Swisher, Briscoe, Hall
Lubbock Texas Tech Small Business Development Center	2579 S. Loop 289, Ste 114 Lubbock, TX 79423 806/745-1637 806/745-6717 FAX www.lubbock-sbdc.org	Steve Anderson	Bailey, Lamb, Hale, Floyd, Motley, Cochran, Hockley, Lubbock, Crosby, Dickens, King, Yoakum, Terry, Lynn, Garza
Midland/Odessa University of Texas - Permian Basin Small Business Development Center	Center for Energy and Economic Development 1400 North FM 1788 Midland TX 79762 432/552-2455 432/552-2433 FAX www.midland-odessa-sbdc.org	Arthur Connor	Gaines, Dawson, Borden, Andrews, Martin, Howard, Winkler, Ector, Midland, Glasscock, Sterling, Coke, Ward, Crane, Upton, Reagan
Wichita Falls Midwestern State University Small Business Development Center	3410 Taft Blvd Wichita Falls, TX 76308 940/397-4373 940/397-4374 FAX www.wichita-falls-sbdc.org	Jeannie Hilbers	Childress, Cottle, Hardeman, Foard, Wilbarger, Wichita, Clay, Montague, Baylor, Archer, Young, Jack
Stephenville Tarleton State University Small Business Development Center	Box T-158 Stephenville, TX 76402 254/968-9330 254/968-9329 FAX www.stephenville-sbdc.org	Ron Beck	Wise, Palo Pinto, Parker, Eastland, Erath, Hood, Somerell, Comanche, Brown, Mills, Hamilton

BUSINESS PLAN

A business plan precisely defines your business, identifies your goals, and serves as your firm's resume'.

I. Executive Summary

This section should be written last and should be no more than two pages in length.

The summary should include:

- A description of the proposed business including products and/or services offered.
- A brief description of the market at which you are aiming and how you plan to reach it.
- A brief evaluation of the competition and your business location.
- A statement regarding management including background, skills, and training.
- Highlights of the financial data: (sales volume, estimated profits, starting capital, etc.).
- EMPHASIZE the uniqueness and strengths of your business in all areas.

II. The Company

This section should describe how your company is owned and organized.

- It should explain the reason(s) why it exists.
- It should include a mission statement.
- Long- and short-term goals and the strategies required to achieve them.
- The “character” or “image” you want to project to your customers.
- Briefly describe your qualifications to achieve the above.
- Describe the skills and experience of the management team.

III. Product Or Service Description

Provide a complete and technically accurate description of your product(s) and/or service(s).

- How it will be used, by whom, in what quantity, and how it works.
- Indicate how it will benefit your potential customer.
(pictures and drawings may enhance this area)
- Give test dates, results, and data.
- What patents or copy rights are applicable?
- What changes you will make in the future?
- What will be the “next generation” of products or services?

IV. Market Research And Analysis

Describe the market you intend to serve (who, how large, where).

- Is the market local, regional, national or international?
- Does your market include manufacturers, institutions, government, etc.?
- Determine trends and growth patterns that affect your product or service.
- Who are your competitors, and what are their strengths and weaknesses?

Describe your strengths and weaknesses:

- Why are your product and/or service unique?
- How can you reach the market?

(This should introduce your marketing plan).

V. The Marketing Plan

Remember the five P's of marketing:

PRICE, PROMOTION, PRODUCT, PLACE and PERSON

- **Product** – Since your product/service was aptly described in Section III, this section should be devoted to describing how the product/service will be priced, promoted, and placed (distributed).
- **Price** – Will you compete on price alone, or will you have the highest priced based on superior quality or uniqueness? Include all costs when considering price.
- **Promotion** – Will you use personal selling, advertising, publicity, direct marketing, brochures, etc., or a combination of several? How will you promote to reach your target market segment?
- **Place** – How will you distribute the product/service (via retailers, jobbers, wholesalers, brokers, door-to-door, mail order, party plan, etc.)?
- **Person** – Analyze your target customer, who is your target market (characteristics, expectations of value)?

VI. Operations

This section should deal with the location, facilities, equipment, and labor requirements with which your business will be faced.

- **Location** – Where should you be in relation to your market and your suppliers? Does the location comply with zoning requirements and local laws?
- **Facility** – What size and type of building do you need? Consider customer access, parking storage, utility costs, etc.?
- **Equipment** – What machinery, furniture, fixtures, and equipment will be required to carry out the mission: new, used or leased?
- **Labor** – How many employees are required; what skills do they need; when will you employ them?

VII. Financial Data

This section should include:

- Pro forma profit/loss or income statement,
 - Cash flow projection,
 - Balance sheet and a break-even analysis.
- Simple, straightforward data is essential.

VIII. Investment Required

How much money is needed to start the business?

- Include several months' operating funds, usually three to six months' rent, payroll, utilities, supplies, etc.
- How much of your money are you going to put in?
- What percentage of ownership are you willing to give up for equity injection?
- What terms will you accept for a loan?
- For what will the funds be used (buildings, equipment, inventory, etc.)?

IX. Appendix

Include all relevant miscellaneous information in this section. Possibilities include:

- Resumes of key personnel
- Pictures of products or prototypes
- Research information or studies
- Patents, blueprints, logos and trademarks, etc.
- Letters of reference and intent

How much money do you need?

One-Time Start-Up Cost

A. Fixtures and equipment	\$ _____
B. Decorating and remodeling	\$ _____
C. Installation of fixtures and equipment	\$ _____
D. Starting inventory	\$ _____
E. Deposits – public utilities	\$ _____
F. Legal and CPA fees	\$ _____
G. Licenses and permits	\$ _____
H. Advertising and promotion	\$ _____
I. Cash for operations	\$ _____
J. Supplies	\$ _____
(Business cards, letterhead, envelopes, brochures, flyers)	
K. Insurance	\$ _____
L. Salaries or payment for training	\$ _____
M. Tax Deposits	\$ _____
N. Reserve	\$ _____
O. Rent deposits	\$ _____
P. Total one-time Start-Up Costs	\$ _____
Total One-Time Start-Up Cost	\$ _____

Monthly Operating Expenses:

A. Salary (your Own)	\$ _____
B. Salaries (employees)	\$ _____
C. Payroll expenses (FICA, FUTA, SUTA, Workman's Comp)	\$ _____
D. Rent or building payments	\$ _____
E. Utilities (total)	\$ _____
F. Telephone	\$ _____
G. Postage	\$ _____
H. Supplies	\$ _____
I. Insurance	\$ _____
J. Maintenance and Repairs	\$ _____
K. Legal and Accounting	\$ _____
L. Subscriptions, Dues, and Contributions	\$ _____
M. Advertising	\$ _____
N. Miscellaneous	\$ _____
O. Other	\$ _____

Total Monthly Operating Expenses \$ _____

Multiply Total Monthly Operating Expenses X 3 \$ _____

Add Total Start-Up Expenses (above) \$ _____

Total Capital Needed to Start \$ _____

Cash Flow

Chapter Summary

Cash flow is the movement of cash in and out of your business within a given period, usually a week or a month.

Cash flow is not the same as profit. A business can show a profit on the day it goes bankrupt—simply because it has insufficient cash to meet its obligations.

Cash flow projection—looking ahead to determine what your cash flow is likely to be—is critical to keeping a business running.

Cash In and **Cash Out** are the dynamic sections representing the flow of money in and out of business. This is where you make your projections. This section will include different line items depending on your particular business.

Starting Cash, **Ending Cash**, and **Cash Flow** are determined by simply adding and subtracting other numbers in the statement.

Elements of Cash Flow

- Starting Cash (or Starting Balance).** Each monthly projection begins with the amount of cash you have on hand at the start of the month. Your Starting Cash is the same number as the previous month's Ending Cash.
- Cash In.** This section of the statement is also called “Sources of Cash.” It includes all cash received this month. There are several possible sources:
 - Sales** are a primary source of cash, but remember to include only cash sales. Sales that have been invoiced don not represent money you can spend this month, so list here only the cash sales you expect to have.
 - Paid Receivables** are those sales that were previously invoiced and have been paid this month. It is important to project accurately when you expect to be paid—30 days, 60 days, etc. If a sale made in January is actually going to be collected in March, you want your projections to be realistic and reflect that lag time. You can't spend cash you haven't collected yet.
 - Interest.** If your business is fortunate enough to have money in the bank, it will be earning interest.
 - Other.** Additional sources of cash might be a bank loan, sale of stock, or the sale of an asset such as a company car.
- Cash Out.** This section is also referred to as “Uses of Cash”. Cash leaves the business in two basic ways: fixed expenses and variable expenses.
 - Fixed expenses** are incurred regularly and are not easily eliminated. Generally, they do not fluctuate with sales volume: some are “fixed” from month to month, and will vary from on business to the next:

Rent and payroll Payroll taxes Estimated taxes Utilities Interest on loans Insurance payments
 - Variable expenses** can change from month to month and often vary with sales volume or production volume. They can be more easily changed than fixed expenses. Some examples:

Supplies Commissions Advertising Raw materials Consulting services Promotion
- Ending Cash (or Ending Balance)** is how much cash is left at the end of the month. It is the result of the numbers in Cash In and Cash Out. You simply add the Starting Cash to Total Cash In and then subtract Total Cash Out. The cash you end the month with is the cash you have to start the next month—so, you get the number for Starting Cash by simply copying it from the previous month's Ending Cash.
- Cash Flow** is the amount of cash that has flowed through the business. It is a measure of what has happened that month. If nothing has happened—say you began with \$1,000 and didn't take any cash in or pay out a nickel—you would end up with \$1,000, but your Cash Flow would be \$0. To calculate Cash Flow, subtract the Ending Cash from the Starting Cash.

It is a positive cash flow that you need for survival.

Excerpt from *HOW TO REALLY START YOUR OWN BUSINESS*,
Chapter 6, BY INC., and SCORE.

	MONTH 1
STARTING CASH	\$2,500
CASH IN	
Cash Sales	\$1,000
Paid Receivables	0
Other	0
TOTAL CASH IN	\$1,000
CASH OUT	
Rent	\$700
Payroll	1,000
Other	300
TOTAL CASH OUT	\$2,000
ENDING BALANCE	\$1,500
CHANGE (Cash Flow)	(\$1,000)

Determining Start-Up Capital (1)

1. To determine how much money you'll need, begin your first month with a starting cash of \$0
2. Proceed with each element of the Cash Flow statement as outlined on the previous pages.
3. You must continue the cash flow projection until you're sure your ending balances are consistently positive. For most businesses, we would look at cash flow for one to three years, to be sure the ending balance is staying positive. In our example, we'll assume this healthy business shows a reliable positive ending balance in Month 5.
4. We then look back over all the entire balances to find the largest negative balance. It's in Month 2—a negative \$2,500. This number tells us how much start-up cash we need to keep the business going until break-even when all expenses are covered.

Determining Start-Up Capital (2)

Now let's look at what happens when we redo our cash flow beginning with the \$2,500 capital.

1. Our Ending Balance in Month 1 is now a positive \$1,500 instead of a negative \$1,000. Because our Ending Balance has changed, our Starting Cash in Month 2 must also change. In fact, all Starting Cash and Ending Balance entries will now change.
2. Note that the new Ending Balance for Month 2—which has our maximum negative balance—is now \$0. This means that we have used up all our cash, but we have also paid all our obligations this month.
3. In the following months, none of our Ending Balances are negative—we will have enough cash to pay all our expected bills and payroll.

Note that while all our beginning and ending balances have changed, our Cash Flow has remained the same. This is because the actual flow of cash in and out each month—the operations of the business—has remained the same as in the previous projection.

In all cash flow projections, it is critical, of course, that our assumptions about the size of expenses and the success of sales efforts are realistic. Greater expenses or slower sales can change this cash-flow picture dramatically. It's a good idea, therefore, to do a number of projections based on different assumptions, such as worst-case scenario.

	MONTH 1	MONTH 2	MONTH 3	MONTH 4	MONTH 5	MONTH 6
STARTING CASH	\$0	(\$1,000)	(\$2,500)	(\$2,200)	(\$400)	\$2,900
CASH IN						
Cash Sales	\$1,000	\$1,500	\$3,000	\$4,000	\$5,000	\$5,000
Paid Receivables	0	500	1,000	1,500	2,500	2,500
	-----	-----	-----	-----	-----	-----
	-	-	-	-	-	-
TOTAL CASH IN	\$1,000	\$2,000	\$4,000	\$5,500	\$7,500	\$7,500
CASH OUT						
Rent	\$700	\$700	\$700	\$700	\$700	\$700
Payroll	1,000	2,500	2,500	2,500	2,500	2,500
Other	300	300	500	500	1,000	1,500
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	--	--	-	--	--	-----
TOTAL CASH OUT	\$2,000	\$3,500	\$3,700	\$3,700	\$4,200	\$4,700
ENDING BALANCE	(\$1,000)	(\$2,500)	(\$2,200)	(\$400)	\$2,900	\$5,700
CHANGE						
(Cash Flow)	(\$1,000)	(\$1,500)	\$300	\$1,800	\$3,300	\$2,800

	MONTH 1	MONTH 2	MONTH 3	MONTH 4	MONTH 5	MONTH 6
STARTING CASH	\$2,500	\$1,500	\$0	\$300	\$2,100	\$5,400
CASH IN						
Cash Sales	\$1,000	\$1,500	\$3,000	\$4,000	\$5,000	\$5,000
Paid Receivables	0	500	1,000	1,500	2,500	2,500
	-----	-----	-----	-----	-----	-----
	-	-	-	-	-	-
TOTAL CASH IN	\$1,000	\$2,000	\$4,000	\$5,500	\$7,500	\$7,500
CASH OUT						
Rent	\$700	\$700	\$700	\$700	\$700	\$700
Payroll	1,000	2,500	2,500	2,500	2,500	2,500
Other	300	300	500	500	1,000	1,500
	-----	-----	-----	-----	-----	-----
	-	-	-	-	-	-
TOTAL CASH OUT	\$2,000	\$3,500	\$3,700	\$3,700	\$4,200	\$4,700
ENDING BALANCE	\$1,500	0	\$300	\$2,100	\$5,400	\$8,200
CHANGE						
(Cash Flow)	(\$1,000)	(\$1,500)	\$300	\$1,800	\$3,300	\$2,800

Purchasing an Existing Business

It is important to evaluate the following:

EXPERIENCE-	What is your experience in that particular field? If none, a knowledgeable person active in that business should be consulted.
CAPITAL-	Do you have, or will you be able to obtain, sufficient capital for the purchase and for working capital, including a reserve for contingencies?
PRODUCT-	Research the reputation of the product(s) being sold.
REASON FOR SALE-	How many previous owners? Is volume dropping, if so, why?
PURCHASE PRICE-	Is it negotiable? Does it have an inordinate amount of “good will”?
PROFITABILITY-	Obtain audited financial statements for past three years and/or copies of seller’s income tax reports for that period. Obtain a copy of last sales tax report to support the sales volume on retail businesses.
LOCATION-	Is neighborhood deteriorating or building? Is a demographic report needed?
LICENSES-	What licenses and permits are required?
EQUIPMENT-	What is the condition, age, and adequacy of equipment and/or fixtures?
APPRAISAL-	Secure appraisal of real property if included in sale. The appraisal of machinery and equipment will show if exaggerated by seller.
LEGAL-	Use services of a lawyer to review purchase contract and lease, if involved. If lease is involved, determine if a sublet is permissible. Confer with Lessor. Determine if any liens against property or business. Include non-competitive clause in contract.
INVENTORY-	Is it in salable condition? What items are slow moving and what are obsolete? (This could be a major factor in determining fair purchase price). What is the rate of turnover?
ZONING-	Does business qualify for existing zoning?
RECORDS-	Does the existing system show clearly and completely the former operations of the business? Are you capable of understanding and operating a bookkeeping system? Will the services of an accountant be required? Forecasting and budgeting/analysis of receivables and payables is very important.

QUICK REFERENCE TO INFORMATION SOURCES, TAXES, LICENSES, PERMITS, INSPECTIONS AND OTHER RELATED MATTERS

- **Corporate Forms/Corporations Section**

Texas Secretary of State
Corporate Section
P O Box 13697
Austin, TX 78711

<http://www.sos.state.tx.us>

Corporate Section:
512-463-5586

Filing Guide: \$35.00

- **Federal Identification Number: Internal Revenue Service – 512-480-7843**

Abilene	Post Office Building 341 Pine St., Suite 2113	1-866-816-2065
Amarillo	205 East Fifth, Room 119	1-866-816-2065
Lubbock	Federal Building 1205 Texas Avenue, Room 609	1-866-816-2065
Midland/Odessa	Federal Building 200 E.Wall, Midland	1-866-816-2065

Also obtain: Tax Guide for Small Business (Publication 334)
Business Tax Kit (Publication 454)

- **Limited Sales Tax Permit Comptroller of Public Accounts**

Abilene	209 S. Danville, Building C 202	325-695-4323
Amarillo	7120 I-40 West, Suite 220 Bldg-A	806-358-0148
Lubbock	4630 50th Street, Suite 404	806-792-1895
Odessa	4682 E. University, Suite 200, Odessa	432-550-3027

- **Unemployment Compensation Taxes: Texas Workforce Commission**

Abilene	400 Oak Street	325-795-4200
Amarillo	1206 West 7th	806-372-5521
Lubbock	1218 14th	806-765-5038
Midland	2408 Big Spring	432-687-3003
Odessa	2626 E. JBF Parkway	432-367-3332

- **Hazardous Waste**

If your business will produce hazardous waste (such as auto shops, printing, jewelry manufacturing, lawn and garden supplies, photographic studios and others) you need to register with the Texas Commission on Environmental Quality (TCEQ formally TNRCC – Texas Natural Resource Conservation Commission).

Texas Commission on Environmental Quality 512-239-1066
P. O. Box 13087 M.C. 106
Austin, TX 78711

- **Licenses and Permits**

The *Texas Department of Economic Development* will provide information packets for your specific business licensing needs. Call 1-800-888-0511. Web site: www.tded.state.tx.us.

- **Business Name: Register Assumed Name**

Abilene	Taylor County Clerk 300 Oak Street, Abilene 79602	325-674-1202
Amarillo	Potter County Clerk 500 S. Fillmore, Rm 205, Amarillo 79101	806-379-2275
Lubbock	Lubbock County Clerk 904 Broadway, Rm 207 Lubbock 79401	806-775-1054
Midland	County Clerk, County Courthouse 200 W. Wall, Ste. 105, Midland 79701	432-688-1059
Odessa	County Courthouse 300 N. Grant, Rm 111, Odessa 79761	432-498-4130

- **Occupancy Permits:** Check the City phone listing for business permits by type.
(**Examples:** Home Care, taxi, limo)

- **Zoning/Signs:** Check with City Zoning for sign/building regulations before making additions or changes.

Abilene	555 Walnut St., 79601	325-676-6273
Amarillo	509 East 7 th Ave., 79101	806-378-4223
Lubbock	1625 13 th St., Room 107, 79457	806-775-2109
Midland	300 N. Lorraine, 4 th Floor, 79702	432-685-7400
Odessa	411 W. 8 th St., 79761	432-335-3211

- **City Health:** Requirements depend on type of business.
(Examples: Food, used clothing or bedding, home care, etc.)

Abilene	2241 S. 19 th St., 79605	325-692-5600
Amarillo	1411 Amarillo Blvd. E, 79109	806-351-7220
Lubbock	1902 Texas Ave., 79408	806-775-2933
Midland	3303 W. Illinois, Space 22, 79703	432-681-7613
Odessa	221 North Texas, 79761	432-498-4141

BUSINESS ORGANIZATION AND TAXES

The form of business you operate determines what taxes you must pay and how you pay them. All businesses except partnerships must file an annual income tax return. Partnerships file an information return.

Federal income tax is a pay-as-you-go tax. You pay the tax as you earn or receive income throughout the year. Generally, business owners, partners, and shareholders of an S corporation pay tax by making regular payments of estimated tax during the year. A corporation must deposit the taxes it owes, including estimated tax payments and balance due shown on its tax return.

Sole Proprietorship: A sole proprietorship is an unincorporated business owned by one individual. It is the simplest form of business organization. The business does not exist apart from the proprietor (owner). The proprietor assumes the risks of the business to the extent of all his or her assets, whether the assets are used in the business or are used for personal purposes.

Some **advantages** of a sole proprietorship are:

1. The business is simple to organize.
2. The owner has maximum freedom to make decisions.
3. The business has a minimum of legal restrictions.
4. The owner receives all the profits.
5. The business is easy to discontinue.

Some **disadvantages** of a sole proprietorship are:

1. The owner has unlimited liability. The individual owner is legally liable for all debts of the business. Creditors may attach all of the owner's assets, including the owner's personal assets not used in the business.
2. There is usually limited ability to raise capital. The business capital is limited to the amount the owner can secure personally. This feature may limit the expansion of a business when new capital is required. A common cause of failure for this form of business organization is its original lack of capital. Limited capital restricts the ability of a sole proprietor to operate the business effectively and survive at an initial low profit level, or to get through any economic rough spots.

Include the income and expenses of the business on your tax return. Unless you operate the business under your name or the name of the owner, you should file an Assumed Name Certificate with your County Clerk. Registering your business name could help avoid confusion after the business is opened and operating if, your name is similar to another business.

Partnership: A partnership is a relationship between two or more persons who join together to carry on a trade or business. Each person contributes money, property, labor, or skills, and each share in the profits and losses of the business. Any number of persons may join in a partnership.

For the purpose of federal income tax, a partnership includes a syndicate, group, pool, joint venture, or other unincorporated organization that carries on a business and is not classified as a trust, estate, or corporation.

Some **advantages** of a partnership are:

1. It is easy to organize.
2. It may have greater financial strength than a sole proprietorship.
3. It combines managerial skills and judgments of the partners.
4. It has a definite legal status.
5. Each partner has a personal interest in the business.

Some disadvantages of a partnership are:

1. The liability of the partners is usually unlimited. Each partner may be held liable for all the debts of the business. Therefore, if one partner does not exercise good judgment, that partner can cause not only the loss of the partnership's assets, but also the loss of the other partner's personal assets.
2. The authority for decisions is divided.

A partnership is not a taxable entity. Each partner includes his or her share of the income or loss on his or her tax return. You should contact an attorney to obtain legal advice and to draw up the partnership agreement. File an Assumed Name Certificate with your County Clerk to avoid confusion with other businesses.

Corporation: A corporation is treated by law as a legal entity. It has a life separate from its owners and has rights and duties of its own. The owners of a corporation are the stockholders. The managers of a corporation may or may not be stockholders.

Forming a corporation involves an exchange of money or property, or both, by the prospective shareholders for capital stock in the corporation. For the purpose of federal income tax, corporations include associations, joint-stock companies, and trusts and partnerships that actually operate as associations or corporations.

Some advantages of a corporation are:

1. The life of the business is perpetual.
2. The stockholders have limited liability.
3. Transfer of ownership is easy (sale of stock).
4. It is easier for corporations to raise capital and expand than for other forms of business.
5. Management is generally more efficient.
6. It is adaptable to both small and large businesses.

Some disadvantages of a corporation are:

1. It is subject to tax on its income at the corporate level and when the income is distributed, that distribution (dividend) is again taxed, this time to the shareholder.
2. It is more difficult and expensive to organize than other forms of ownership.
3. The corporate charter restricts the types of business activities.

A corporation is subject to many state and federal controls. The corporation can take the same deductions as a sole proprietorship to figure its taxable income. But shareholders cannot deduct a loss of the corporation. In addition, all Texas corporations must pay an annual Franchise Tax.

If a corporation will transact business under names other than that stated in the articles of incorporation, the corporation must file an Assumed Name Certificate with the Secretary of State, and with the county in which the principal office and registered office of the corporation are located.

S Corporation: An S Corporation is a small business corporation that elects to have its income taxed in a manner similar to a partnership. In general, an S Corporation does not pay tax on its income. Instead, the income and expenses of the corporation are divided among its shareholders, who then report them on their own income tax returns.

To file articles of incorporation, to register as a limited liability company or a limited partnership, contact the Office of the Secretary of State of Texas, PO Box 13697, Austin TX 78711-3697, 512/463-5586. Again, you should contact an attorney for advice.

Registering the Business Name

Once the legal structure of the business has been determined, and if a separate business name will be used, the business name must be registered with the county clerk's office or the Secretary of State. It is very important to do a thorough search when considering a business name. If a corporation and an unincorporated company have very similar names, neither automatically has the right to the name. If both parties have properly filed the Assumed Name Certificate, the courts will most likely have to decide this matter. Taking the time necessary to conduct the name research up front will help avoid legal costs after the business is opened and operating. You can contact the Secretary of State, General Information and Business Name Searches, at 512/463-5586, for assistance.

County Clerk	Address	Telephone Number
Abilene Taylor County Clerk	300 Oak Street Abilene, TX 79602	325-674-1202
Amarillo Potter County Clerk	500 S. Fillmore Room 205 Amarillo, TX 79101	806-379-2275
Amarillo Randall County Clerk	County Square N. Bldg., 401 15 th Street, First Floor Canyon, TX 79015	806-468-5505
Lubbock Lubbock County Clerk	County Courthouse 904 Broadway, #207 Lubbock, TX 79401	806-775-1054
Midland Midland County Clerk	County Courthouse 200 West Wall, Suite 105 Midland, TX 79701	432-688-1059
Odessa Ector County Clerk	County Courthouse 300 North Grant, Room 111 Odessa, TX 79761	432-498-4130
Secretary of State of Texas	PO Box 13697 Austin, TX 78711-3697	512-463-5586

FEDERAL INCOME TAXES

Call 1-800-829-3676 to order ***Your Business Tax Kit***, an assortment of forms and publications to help taxpayers who operate their own businesses. You can get forms and other information faster and easier by contacting IRS on the World Wide Web at <http://www.irs.ustreas.gov>

Table 2. Which Forms Must I File?

If You Are A:	You May Be Liable For:	Use Form:
Sole Proprietor	Income tax	1040 and Schedule C or C-EZ ¹ (Schedule F for Farm business)
	Self-employment tax	1040 and Schedule SE
	Estimated tax	1040-ES
	Employment taxes: • Social Security and Medicare taxes and income tax withholding • Federal unemployment (FUTA) tax • Depositing employment taxes	943 for farm employees 941 for all others 940 or 940-EZ 8109
	Excise taxes	See <i>Excise Taxes</i>
Partnership	Annual return of income	1065
	Employment taxes	Same as sole proprietor
	Excise taxes	See <i>Excise Taxes</i>
Partner in a partnership (individual)	Income tax	1040 and Schedule E ²
	Self-employment tax	1040 and Schedule SE
	Estimated tax	1040-ES
Corporation or S Corporation	Income Tax	1120 or 1120-A (corporation) 1120-S (S Corporation)
	Estimated Tax	1120-W (corporation only) & 8109
	Employment taxes	Same as sole proprietor
	Excise taxes	See <i>Excise Taxes</i>
S Corporation shareholder	Income tax	1040 and Schedule E ³
	Estimated tax	1040-ES

¹ File a separate schedule for each business.

² Various other schedules may be needed.

³ Various other schedules may be needed.

IRS Forms Distribution Center: 1-800-829-3676 or <http://www.irs.ustreas.gov/business>

Federal Identification Number: Internal Revenue Service

Abilene	Post Office Building 2 nd Floor North Pine & 3 rd Street Abilene	325-677-4421
Amarillo	205 East Fifth, Room 119 Amarillo	1-866-816-2065
Lubbock	Federal Building 1205 Texas Avenue, 4 th Floor Lubbock	1-866-816-2065
Midland/Odessa	Federal Building 200 E. Wall Street, Midland	1-866-816-2065

- Also obtain Tax Guide for Small Business (publication 334) and Business Tax Kit (Publication 454).

- Sole proprietors file a Schedule C with their personal Form 1040.
- Farmers file a Schedule F with the Form 1040.
- Partnerships file Form 1065.
- Corporations file 1120 or 1120-A.
- S corporations file 1120S.

Most of these require payment of tax on at least a quarterly basis using Estimated Taxes – Form ES. Self Employment Tax, the entrepreneurial Social Security Tax is filed using Form-SE. The IRS publication *Taxpayers Starting a Business* might be helpful. Check with the IRS for the latest twists in the tax code.

Self-Employment Tax

Brand-new business owners are sometimes surprised to find out that in addition to their federal income taxes, they must also pay a significant percentage of their income to the government in the form of SECA taxes.

The Self-Employment Contributions Act (SECA) tax is basically the business owner's version of the FICA tax that employees pay. Like FICA, it is made up of your "contributions" to both the Social Security and Medicare programs. However, the basic tax rate for the self-employed under SECA is 15.30 percent - twice the 7.65 percent rate that employees must pay on their paychecks as FICA tax - to reflect the fact that employees pay one-half the FICA tax and employers pay the other half.

Refer to IRS – Publication 533 – SELF-EMPLOYMENT TAX for current information and filing instructions.

Sales Tax

The Comptroller of Public Accounts is charged with the administration and collection of state and local sales tax from businesses operating in Texas. Depending on sales volume, you will need to remit sales taxes on an annual or more frequent basis. Contact the Comptroller of Public Accounts for a Sales Tax Number and for determination of appropriate taxes to be collected for a business.

Office	Address	Telephone Number
Comptroller of Public Accounts	LBJ State Bldg. 111 East 17 th Street Austin, TX 78714	1/800/252-5555
Abilene Comptroller of Public Accounts	209 South Danville, Bldg C-202 Abilene, TX 79605	325/695-4323
Amarillo Comptroller of Public Accounts	7120 I-40 West, Ste 220 Amarillo, TX 79106	806/358-0148
Lubbock Comptroller of Public Accounts	4630 50 th Street, Ste 404 Lubbock, TX 79414	806/792-1895
Midland/Odessa Comptroller of Public Accounts	4682 E. University, Ste 200 Odessa, TX 79762	432/550-3027

For more information, you may go to the State Comptroller's website at www.window.state.tx.us.

Franchise Tax

WHO MUST FILE: All Texas corporations, all foreign corporations with a Certificate of Authority to do business in Texas and all foreign corporations doing business in Texas without a Certificate of Authority are liable for Texas franchise tax. The term “corporation” includes banks, limited liability companies, S corporations, state limited banking associations, savings and loan associations, professional limited liability companies and professional corporations. The Comptroller of Public Accounts collects franchise taxes owed by Texas corporations.

See Page 16.

Employment Taxes

For each employee, you must deposit, report, and pay Federal income tax. Social Security and Medicare tax, FUTA. You withhold part of these taxes from the employee’s wages and pay a matching amount yourself. See section on hiring employees.

Excise Taxes

You may have to pay excise taxes if you manufacture or sell certain products, operate certain kinds of businesses, or use various kinds of equipment, facilities, or products. For more information get IRS Publication 510.

Taxpayer Identification Number

The IRS requires each individual or business to have a taxpayer identification number (TIN). A sole proprietor uses his or her social security number as the TIN unless the proprietorship has employees or is required to file any excise or pension tax forms, or forms for the Bureau of Alcohol, Tobacco and Firearms. In these situations, an employer identification number, or EIN, is needed as the TIN. A partnership or corporation must have an EIN whether or not it has employees.

You must have a taxpayer identification number so that the IRS can process your returns. There are two kinds of taxpayer identification numbers – a social security number (SSN) and an employer identification number (EIN). A SSN is issued by the Social Security Administration and is in the following format: 000-00-0000. An EIN is issued by the IRS and is in the following format: 00-0000000. **You can apply by telephone at 1-866-816-2065 and get an EIN immediately.** Be sure to have the information from the SS-4 before you call. Get form SS-4, *Application for Employer Identification Number*, at IRS, either by phone or www.irs.gov. At www.irs.gov you can file for your EIN online. You can also apply by mail. This method will take at least 4-5 weeks. Send the completed SS-4 to:

**Internal Revenue Service
Entity Control
Austin, TX 73301**

You must include your taxpayer identification number (SSN or EIN) on all returns or other documents you send to the IRS. You must also furnish your number to other persons who use your identification number on any returns or documentation they send to the IRS.

Electronic Federal Tax Payment System (EFTPS)

EFTPS is a tax payment and reporting system sponsored by the U.S. Department of the Treasury. Using a phone or Personal Computer, you input your tax payment information and send it. Generally, taxpayers whose total deposits of social security and Medicare taxes and withheld income tax during previous years exceeded certain amounts are required to deposit taxes through the Electronic Federal Tax Payment System (EFTPS).

Taxpayers not required to make deposits by EFTPS may enroll in the system, which will allow tax deposits without coupons, paper checks, or visits to an authorized depository. For more information, see IRS Publication 15, Employer's Tax Guide.

Business Records

Keep your business and personal records separate. Always have a separate business bank account.

Except in a few cases, the law doesn't require any special kind of records. You may choose any system suited to your business that clearly shows your income. Your books must show your gross income, as well as expenses. In addition, you must keep supporting documents. Forms are available from any office supply store. At a minimum:

Records:

- Sales and Expense Journals
- Accounts Payable and Receivable Journals
- A payroll journal and records
- Fixed Asset Schedule
- Bank Statements and Canceled Checks

Licenses and Permits

- Contact the city clerk for local regulations. Depending on your business, you may need to contact the City Health Department, the City Tax Office, and City Building Inspection.
- Any sale of food products will require that you contact both county and city.
- If your business will produce hazardous waste (such as auto shops, printing, jewelry manufacturing, lawn and garden supplies, photographic studios and others) you may need to register with the Texas Commission on Environmental Quality (TCEQ), P O Box 13087, Austin, TX 78711, or call (800) 447-2827
- Check with the City Zoning Department for signage and local zoning restrictions.

The *Texas Department of Economic Development* will provide information packets for your specific business need. Call 1-800-888-0511 or website www.txed.state.tx.us

Occupancy Permits:

Check the City phone listing for business permits by type.

Zoning / Signs

Abilene	Building Inspection	325/676-6273
Amarillo	City Zoning Department	806/378-4223
Lubbock	City Zoning Department	806/775-2109
Midland	City Zoning Department	432/685-7400
Odessa	City Zoning Department	432/335-3211

City Health Departments

Abilene	325/692-5600
Amarillo	806/351-7220
Lubbock	806/775-2933
Midland	432/681-7613
Odessa	432/498-4141

REFERENCE FOR FILING TAXES

TYPE OF BUSINESS ENTITY	FORMS REQUIRED	PURPOSE	WHEN TO FILE	WHERE TO FILE
INCOME TAXES—Federal Only				
Sole Proprietor	Form 1040 Schedule C	Report taxable income: Schedule included in individual income tax return	15 th day of the fourth month after the end of the fiscal year	Internal Revenue Service Austin, Texas 73301
Partnership	Form 1065	Report taxable income: K-1 from the return to each partner to use for reporting on his or her individual tax return (information return only); any taxes due are paid individually by partner.	15 th day of the fourth month after the end of the fiscal year	Internal Revenue Service Austin, Texas 73301
Corporation	Form 1120	Report taxable income	15 th day of the third month after the end of the fiscal year	Internal Revenue Service Austin, Texas 73301
S Corporation	Form 1120S	Report taxable income: K-1 from the return to each shareholder to use for reporting on his or her individual tax return (Information return only); any taxes due are paid individually by share holder	15 th day of the third month after the end of the fiscal year	Internal Revenue Service Austin, Texas 73301
EMPLOYMENT TAXES				
Quarterly Tax Estimates; Sole Proprietor Partnership	Form 1040 ES	May be required if not withheld through wage source during current tax year	Generally April 15 th , June 15 th and Sept. 15 th of current tax year and Jan. 15 th of the following year	Internal Revenue Service P.O. Box 970001 St. Louis, MO 63197
Regular C Corporation	Federal Tax Deposit Coupon	Must estimate current earnings and pay quarterly	Quarterly, 15 th day of the 4 th , 6 th , 9 th , and 12 th month of the current fiscal year	No filing – Must deposit at authorized commercial bank on or before 2PM
Payroll Taxes – Federal, State, and Local: For all entities (sole Proprietor; partnership, corporation)	Form 940	Federal unemployment tax	Annually, January 31 st	Internal Revenue Service Austin, Texas 73301
	Form 941	Social Security and withholding income tax	Quarterly, due one month after the calendar quarter ends	Internal Revenue Service Austin, Texas 73301
	Form W-2, W-3	Withholding information statement	Employee's copy January 31 st	To respective employee
	Form W-4, I-9	Employee records	Federal copy last day of February	Social Security Admin. Albuquerque Data Operations Center Albuquerque, NM 87180
	Form TWC C-3, C-4 TWC Status Report	State unemployment tax-payroll taxes are required if you have at least one employee	Required to be on file Quarterly	Texas Workforce Commission Cashier P.O. Box 14907 Austin, TX 78714

TYPE OF BUSINESS ENTITY	FORMS REQUIRED	PURPOSE	WHEN TO FILE	WHERE TO FILE
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EMPLOYMENT TAXES (continued)

Payroll Taxes – Non resident alien	Form 1042, 1042-S Statement to Payee (can use 1047-S)	Withholding for U.S. Source Income of foreign persons Foreign person's U.S. Source Income subject to withholding	Actually, March 15 of the year following Copy to payee by March 15	Internal Revenue Service Philadelphia, PA 19255 To recipient
Independent Contractor and Other Non-employee Payments: For all entities (sole proprietor, partnership, corporation)	Form 1099 Form 1096	Information returns –various payments to individuals of \$600 or more, including prizes, awards and other business payments	Copy to recipient January 31 Federal copy last day of February	To recipient Internal Revenue Service Austin, TX 73301

BUSINESS TAXES

Franchise Tax (corporations and limited liability companies)	Texas Corporation Franchise Tax Report	Tax on privilege to do business measured by taxable capital or taxable earned surplus apportioned to state	Generally May 15 th each year after the beginning of regular annual period	Comptroller of Public Accounts Austin, TX 78744
Sales and Use tax: State and local (sole proprietor, partnership, corporation)		Tax on sales of item collected from purchaser and remitted to the Comptroller	Usually monthly, due 20 th of month following sales month; some filed quarterly or annually	Comptroller of Public Accounts Austin, TX 78744
Business Property Taxes	Rendition Form	To report tangible personal property used to produce income	Between January 1 st and March 31 st	Specific local county appraisal district

RESOURCES/ HELPFUL TIPS:

Internal Revenue Service has many publications helpful to Small businesses and also Provides small business Seminars.

Information on seminars: 512/499-5439

or www.irs.gov

Business tax kit and publications:
800/829-3676 or www.irs.gov

IRS general information: 800/829-1040

Comptroller of Public Accounts
512/463-4600
800/252-5555

Texas Workforce Commission
101 East 15th Street
Austin, TX 78701
New Employer Accounts:
512/463-2731
Status of Accounts:
512/463-2731

Business Insurance

The Texas Department of Insurance regulates and is responsible for protecting the public's interest when it comes to insurance. The TDI licenses insurance companies, agents, third-party administrators, health maintenance organizations (HMOs), premium finance companies, continuing care retirement communities and insurance adjusters operating in Texas. You can call the TDI Consumer Helpline at 1-800-252-3439 for information. Information can also be accessed through the Internet at <http://www.tdi.state.tx.us>.

Property (Buildings and Contents)

Commercial Property Insurance protects a business owner or business property owner against damage to a building and its contents.

- Earthquake
- Flood
- Glass
- Fire and Lightning
- Blanket Coverage
- Business Interruption: reimburses the policyholder for business income lost when a covered cause or loss, damages or destroys a building or its contents.

Liability Insurance (Premises and Operations)

General Liability protects a business owner against bodily injury and property damage losses to others arising from his or her business operation.

You need enough coverage to protect your assets. Normally \$300,000 is an average coverage amount for a small business; nevertheless, that amount can range from as low as \$25,000 up to \$1,000,000 or more depending on the type of business and assets you want to protect. Rates will vary by type of business.

Auto

- Business Auto
- Contents
- Uninsured and Underinsured Motorists

Miscellaneous

- Crime
- Electronic Equipment
- Goods in Transit (Inland Marine)

Workers' Compensation

Texas is one of the only four states that do not require employers to carry Workers' Compensation Insurance. This does not mean that employers avoid liability, however.

Worker's Compensation is a no-fault type of insurance.

- Generally speaking, if an employee is hurt on the job, Worker's Compensation pays the employee's weekly indemnity and medical costs. However, employers feel they are not in control and are now buying Occupational Accident Benefit Plans instead of Workers' Compensation Insurance.
- Workers' Compensation Insurance protects the employer from most negligence suits.
- Since the system is no-fault, it lends itself to fraud. Employers have very little input regarding claim payments.
- Employee has one year to report an injury.
- Worker's Compensation pays-no matter what.

For more information, contact the Texas Department of Insurance at 1-800-578-4677 or 512-322-3493. Or visit the Worker's Compensation Insurance website www.twcc.statetx.us.

Occupational Accident Benefit Plans

Most companies not participating in the Worker's Compensation system provide insurance coverage of some kind – usually occupational accident benefit plans. These plans provide weekly indemnity, medical and death benefits. A few plans also provide coverage for employer's negligence in the event the employer is sued and a judgment is rendered against him. This is not “no fault” insurance.

Workplace Safety Requirements

For specific regulations regarding safety in the workplace, contact the U. S. Department of Labor-OSHA, 903 San Jacinto Blvd., Suite 319, Austin, TX 78701. Telephone number is **512-916-5783**.

Hiring Employees

Requirements

- If you are an employer you must get a Social Security Number from each employee. Verify that what the employee gives you matches the name and number on the Social Security Card.
- **INS Form I-9:** You must verify that each new employee is legally eligible to work in the United States. Both you and the employee must complete the INS Form I-9. Call the INS at 1-800-375-5283 for more information or visit www.immigration.gov.
- **Form W-4:** Employees withholding allowance certificate. You use this to figure the amount of income tax to withhold from your employee's wages. Amount of employee withholding is based on the number of exemptions claimed and filing status (single, married filing jointly, etc.). You will need to get IRS Publication 15, *Circular E, Employer's Tax Guide*.
- **Social Security Tax:** Withholding tax rate is 6.2% of the wage base limit. The employer is also required to pay 6.2% of wages. Refer to IRS Publication 15, *Circular E, Employer's Tax Guide*.
- **Medicare Tax:** Withholding tax rate is 1.45% of all wages. The employer is also required to pay 1.45% of wages.
- **Federal Unemployment Tax:** Employer contribution only with a tax rate equal to 6.2% of wages up to \$7,000. There is a credit of state unemployment taxes of 5.4% making the effective federal unemployment tax rate .8%.
- **State Unemployment Tax:** Employer contribution only. New businesses pay 2.7% for the first 12 months of wages up to \$9,000. The tax rate changes based on unemployment claims. See "*Texas Unemployment Compensation Act*".

Employee income, social security and Medicare tax withholding and payments are typically reported on Form 941 and deposited with Form 8109 at an authorized commercial bank. Federal unemployment tax is reported on Form 940 and state unemployment tax is reported and paid quarterly on Form C-3 and C-4 if 10 or more employees.

Additionally, every business in Texas with 4 or more employees must have a **written safety plan**. Contact U. S. Department of Labor – **OSHA**, 903 San Jacinto Blvd., Suite 319 Austin, TX 78701, or call 512/916-5783, web site @ www.OSHa.gov.

All businesses with 15 or more employees must have a **written drug policy**. If at any time during the year, there were 15 employees, including temporary, you must have the policy. Contact the Texas Drug-Free Workplace Initiative, 3410 Far West Blvd., Suite 250, Austin, TX 78731, or call 512/343-9595 or 1-800-522-0550.

Employee Handbook

Employee handbooks can be a life saver, especially against wrongful termination suits, as Texas is a "work-at-will" state. However, a handbook should never be construed as a contract.

Include such items as:

- Vacation
- Medical
- Worker's Compensation or Occupational Accident Benefit Plan
- Jury Duty

- Maternity
- Family Leave
- Company Philosophy
- Drug Policy
- Sexual Harassment
- Americans with Disabilities Act Requirements

Texas Unemployment Compensation Act

Responsibilities of a Subject Employer

All employers should register with the Texas Workforce Commission (TWC) by completing and filing a Form C-1, "Status Report". After the TWC Status Section processes the application, you will be notified if you are required to report taxes and wages to TWC. You will also be notified of the account number and tax rate assigned, and be provided with any quarterly reports and/or taxes that may be due at the time. After you have been assigned an account number, you will begin receiving quarterly reporting forms. On a quarterly basis, report the name, social security number, and total earnings for each employee.

Employers subject to state unemployment tax are required to display printed posters at each worksite. These posters are provided by TWC and provide general information about filing a claim for unemployment benefits, Texas Payday Law requirements, and a schedule of the employer's paydays. If you need additional posters at any time, please call 512-463-2747 or any TWC local tax office.

New Employer Rates

Newly liable employers who do not acquire an existing business start out at a tax rate of 2.70%. This rate is maintained for six to eight quarters, six quarters being the usual case. After completing the quarter in which the employer has established enough history to qualify for a computed experience tax rate, and interim experience tax rate is calculated and applied to the remainder of the year. Subsequently, an annual experience tax rate is calculated each October 1 for the entire following year.

Contact the closest office of the **Texas Workforce Commission** for the required forms. Some of the forms can be downloaded from: <http://www.twc.state.tx.us/UI/tax/taxinstruct.html>

Texas Workforce Commission Tax Offices

Tax Office Locations	Zip Code	Street Address	Phone Number	FAX Number
Abilene	79606	4400 Buffalo Gap Rd., Suite 2000	325-698-7521	325-698-7846
Amarillo	79109	2505 Lakeview Dr, Suite 300	806-358-7481	806-358-4636
Lubbock	79493	4611 50 th St., Suite D	806-791-4251	806-792-8831
Midland/Odessa	79711	9900 W. I-20 Service Rd, Suite 102	432-563-2666	432-563-6213
Wichita Falls	76301	1401 Holliday St. Suite 324	940-767-0882	940-766-4461

The ADA: Your Responsibilities as an Employer

THE AMERICANS WITH DISABILITIES ACT: YOUR RESPONSIBILITIES AS AN EMPLOYER U. S. Equal Employment Opportunity Commission (EEOC) (EEOC-BK-17, 1991)

Introduction

The Americans with Disabilities Act of 1990 (ADA) makes it unlawful to discriminate in employment against a qualified individual with a disability. The ADA also outlaws discrimination against individuals with disabilities in State and local government services, public accommodations, transportation and telecommunications. This booklet explains the part of the ADA that prohibits job discrimination. This part of the law is enforced by the U. S. Equal Employment Opportunity Commission (EEOC) and State and local civil rights enforcement agencies that work with the Commission.

Are You Covered?

Job discrimination against people with disabilities is illegal if practiced by:

- Private employers,
- State and local governments,
- Employment agencies,
- Labor organizations, and
- Labor-management committees.

The part of the ADA enforced by the EEOC outlaws job discrimination by all employers, including state and local government employers, with 15 or more employees.

Things you should know:

1. Texas has had the most lawsuits.
2. You cannot ask a potential employee about previous worker's compensation claims.
3. You cannot require a pre-employment physical.

For more information on the requirements of the Americans with Disabilities Act, contact the **Texas Governor's Committee on People with Disabilities, P. O. Box 12428, Austin, TX 78711 or call 512/463-5739.**

Posters You Must Display

Businesses are required to display a number of informative posters. You can download these from <http://www.cpa.state.tx.us/tba/regs.html> or request them from the addresses listed below.

- **Your Rights Under the Family & Medical Leave Act** (available from the U.S. Department of Labor)
- **The Minimum Wage** (available from the U.S. Department of Labor)
- **Equal Employment Opportunity Is The Law** (available from the Regional EEOC office)
- **Employee Polygraph Protection Act Notice** (available from the Department of Labor)

Free Workplace Posters Employers Must Display

This information was generously supplied by the Office of Chairman Bill Hammond, Commissioner Representing Employers.

Various laws require employers to display several posters in the workplace. These posters are available free of charge from the following state agencies.

Texas Workforce Commission State law requires all Texas employers to post the notice advising employees of their rights under the Texas Unemployment Compensation Act. For information have your TWC account number available and call (512) 463-2747. Employers subject to the Texas Payday Law are also required to post paydays, e.g., 1st and 15th of the month. For further information contact the Payday Law Unit at 1-800-832-WAGE (9243).

Workers Compensation Commission The following required notices are available by calling the Texas Workers' Compensation Commission at (512) 448-7900: #1 – Specifies the employers' insurance carrier. #2 – alerts employees they are not covered. #3 – Describes how and where to report health and safety violations. #4- Provides information about the Ombudsman program, including the toll-free number.

If you carry Workers Compensation Insurance, order #1, #3, and #4; if you do not carry Workers Compensation Insurance, order #2 only.

Equal Employment Opportunity Commission The federal poster titled "Equal Employment Opportunity is the Law" meets the requirements of the Age Discrimination in Employment Act of 1967, Title VII of the Civil Rights Act of 1964, and the Americans with Disabilities Act. It is available by calling 1-800-669-3362.

U.S. Department Of Labor (web site: www.dol.gov) The U.S. Department of Labor supplies two required posters. One explains the provisions of the Fair Labor Standards Act and the other clarifies the Employee Polygraph Protection Act. Write or call the U.S. Department of Labor: **Corpus Christi – DOL**, 606 N. Carancahua St., Room 710, Corpus Christi, Texas, 78476, (361) 888-3520; **Dallas – DOL**, The Offices at Brookhollow, 1701 E. Lamar Blvd. Suite 270, Box 22, Arlington, TX 76006-7303 (817) 861-2150; **Houston – DOL**, S. Bldg. 9990, Richmond Ave., Suite 202, Houston, Texas, 77042-4546, (713) 339-5500; **San Antonio – Employment Standards Administration**, 10127 Morocco, Suite 140, San Antonio, Texas, 78216, (210) 308-4514.

Occupational Safety And Health Administration Job Safety & Health Protection Poster- OSHA 2203 <http://www.osha.gov/oshpubs/poster.pdf>

All covered employers are required to display and keep displayed a poster prepared by the Department of Labor summarizing the major provisions of The Occupational Safety and Health Act (OSHA) telling employees how to file a complaint. The poster must be displayed in a conspicuous place where employees and applicants for employment can see it. A poster must be displayed at all locations even if there are no eligible employees. The Occupational Safety and Health Act of 1970 poster is available upon written request with a self-addressed envelope to the Occupational Safety and Health Administration, 525 Griffin Street, Room 602, Dallas, Texas, 75202.

Texas Commission on Human Rights The Texas Commission on Human Rights distributes an optional poster, "The Law In Texas". The Commission's address is 6330 Highway 290 E., Suite 250, Austin, Texas, 78723, (512-437-3450). Web site: <http://www.tchr.state.tx.us>.

Other Posters Contact regulatory agencies governing your particular industry to ask about specific posting requirements.

Get professional legal advice when in doubt about legal obligations.

Financing Options

Who can get financing to start or expand a business? You can. Almost every valid business idea can be funded; it's a matter of knowing where to look. When a new business is a success, everyone involved wins too. A successful business also creates new jobs and adds an important product or service to the community. It is for all these reasons that organizations and individuals may be willing to invest in your business; **as your business profits, so do your investors.**

How To Raise Money For A Small Business

One key to a successful business start-up and expansion is your ability to obtain and secure appropriate financing. Raising capital is the most basic of all business activities. However, as many new entrepreneurs quickly discover, raising capital may not be easy; in fact, it can be a complex and frustrating process. However, if you are informed and have planned effectively, raising money for your business will not be a painful experience.

This information summary focuses on ways a small business can raise money and explains how to prepare a loan proposal.

Finding The Money You Need

There are several sources to consider when looking for financing. It is important to explore all of your options before making a decision.

- **Personal Savings:** The primary source of capital for most new businesses comes from savings and other forms of personal resources. While credit cards are often used to finance business needs, there may be better options available, even for very small loans.
- **Friends and Relatives:** Many entrepreneurs look to private sources such as friends and family when starting out in a business venture. Often, money is loaned interest free or at a low interest rate, which can be beneficial when getting started.
- **Banks and Credit Unions:** The most common source of funding, banks and credit unions, will provide a loan if you can show that your business proposal is sound.
- **Venture Capital Firms:** These firms help expanding companies grow in exchange for equity or partial ownership.

Borrowing Money

It is often said that small business people have a difficult time borrowing money. This is not necessarily true.

Banks make money by lending money. However, the inexperience of many small business owners in financial matters often prompts banks to deny loan requests.

Requesting a loan when you are not properly prepared sends a signal to your lender. That message is: "High Risk!"

To be successful in obtaining a loan, you must be prepared and organized. You must know exactly how much money you need, why you need it, and how you will pay it back. You must be able to convince your lender that you are a good credit risk.

Types of Business Loans

Loan Terms

Terms of loans may vary from lender to lender, but there are two basic types of loans: short-term and long-term.

Generally, a short-term loan has a maturity of up to one year. These include working-capital loans, accounts-receivable loans and lines of credit.

Long-term loans have maturities greater than one year but usually less than seven years. Real estate and equipment loans may have maturities of up to 25 years. Long-term loans are used for major business expenses such as purchasing real estate and facilities, construction, durable equipment, furniture and fixtures, vehicles, etc.

How To Write a Loan Proposal

Approval of your loan request depends on how well you present yourself, your business and your financial needs to a lender. Remember, lenders want to make loans, but they must make loans they know will be repaid. The best way to improve your chances of obtaining a loan is to prepare a written proposal.

A good loan proposal will contain the following key elements:

General Information

- Business name, names of principals, social security number for each principal, and the business address.
- Purpose of the loan – exactly what the loan will be used for and why it is needed.
- Amount required – the exact amount you need to achieve your purpose.

Business Description

- History and nature of the business – details of what kind of business it is, its age, number of employees and current business assets.
- Ownership structure – details on your company's legal structure.

Management Profile

- Develop a short statement on each principal in your business; provide background, education, experience, skills and accomplishments.

Market Information

- Clearly define your company's products as well as your markets.
- Identify your competition and explain how your business competes in the marketplace.
- Profile your customers and explain how your business can satisfy their needs.

Financial Information

- Financial statements – balance sheets and income statements for the past three years. If you are just starting out, provide a projected balance sheet and income statement.
- Personal financial statements on yourself and other principal owners of the business.
- Collateral you would be willing to pledge as security for the loan.

How Your Loan Request will be Reviewed

When reviewing a loan request, the bank official is primarily concerned about repayment. To help determine this ability, many loan officers will order a copy of your business and personal credit report from a credit-reporting agency. Therefore, you should work with these agencies to help them present an accurate picture of your business. Using the credit report and the information you have provided, the lending officer will consider the following issues:

- Have you invested savings or personal equity in your business totaling at least 25 to 50 percent of the loan you are requesting? Almost all investors prefer or require that you contribute some of your money to the business. (Remember, a lender or investor will not finance 100 percent of your business.)
- Do you have a sound record of credit-worthiness as indicated by your credit report, work history and letters of recommendation? This is very important!
- Do you have sufficient experience and training to operate a successful business?
- Have you prepared a loan proposal and business plan that demonstrate your understanding of and commitment to the success of the business?
- Does the business have sufficient cash flow to make the monthly payments on the amount of the loan request?

Understanding Credit Issues

Understanding basic credit issues is the first step in determining whether or not you need, or are eligible to apply or qualify for financial assistance.

1. Equity Investments

Determining whether the company's level of debt is appropriate requires an analysis of the company's expected earnings and the variability of these earnings, as well as the ration between total debt and equity. Strong equity and low debt levels provide resiliency which will help a firm weather periods of operational adversity. There must be careful examination of the debt-to-worth ratio of a company. Sufficient equity is particularly important to new businesses. Business loan applicants must have a reasonable amount invested to ensure that, along with any borrowed funds, the business can operate on a sound basis. A strong equity position ensures that owners will remain committed to their business.

2. Earnings Requirements

Financial obligations are paid with cash, not profits. When cash outflow exceeds cash inflow for an extended period of time, a business cannot continue to operate. As a result, cash management is extremely important. In order to adequately support a company's operation, cash must be at the right place, at the right time and in the right amount. A company must be able to meet debt payments as they come due.

3. Working Capital

Working capital is the excess of current assets over current liabilities. Because working capital is the excess of the more liquid, working assets over the obligations of a firm which are due within one year, it measures the funds available to finance a company's current requirements and represents the cushion or margin of protection for a company's short term creditors. Working capital is essential for a company to meet the continuous operational needs of doing business. The adequacy of working capital directly influences the firm's ability to meet its trade and short-term debt obligations and, ultimately, its ability to remain financially viable.

4. Collateral

To the extent that worthwhile assets are available, adequate collateral is required as security on an SBA-guaranteed or 504 loans. However, as is the case with the SBA guaranteed loan program, a loan generally will not be declined where inadequacy of collateral is the only unfavorable factor. In the event real estate is to be used as collateral, borrowers should be aware that banks and other regulated lenders are now required by law to obtain third-party appraisals on real estate related transactions of \$100,000 or more. Certified appraisals are required when the real estate transactions are over \$1,000,000.

5. Resource Management

The ability of a potential borrower to manage resources is a prime consideration when determining whether or not a loan will be made and in what amount. Managerial capacity is an important factor involving such areas as education, experience and motivation. Proven ability in resource management is also a large consideration. Mathematical calculations based on information provided in financial statements provide an illustration of how resources have been managed in the past. It is important to understand that no single ratio will provide a whole illustration but that several used in conjunction with one another will provide an overall picture of management performance.

No one ever said that running a business would be easy. Without a doubt, finding the money to start or expand your business requires hard work and determination. It may be the largest obstacle you will face.

Perseverance makes all the difference. Most successful entrepreneurs have been turned down many times for financing. Remember, it is your job to sell your ideas and to pursue every possible means of securing capital.



U.S. Small Business Administration

HELPFUL INTERNET ADDRESSES

Small Business Administration: <http://www.sba.gov>

General Services Administration: <http://www.gsa.gov>

Internal Revenue Service: <http://www.irs.ustreas.gov>

PRO-Net: <http://pronet.sba.gov>

SCORE: <http://www.score.org>

Small Business Advisor: <http://www.isquare.com>

Texas Business Advisor: <http://www.cpa.state.tx.us/tba>

Texas Comptroller of Public Accounts: <http://www.window.state.tx.us>

Texas Department of Insurance: <http://www.tdi.state.tx.us>

Texas Secretary of State: <http://www.sos.state.tx.us>

Texas Workforce Commission: <http://www.twc.state.tx.us>

U.S. Business Advisor: <http://www.business.gov>

U.S. Department of Labor: <http://www.dol.gov>

Virtual Women's Business Center: <http://www.onlinewbc.gov>

Women Entrepreneurship in the 21st Century: <http://www.women-21.gov>

SBA Classroom: <http://www.sba.gov/training> The Small Business Classroom is an on-line systems resource for training and informing entrepreneurs and other students of enterprise. It is a new – easy to use – dimension in entrepreneurial training.

For information about SBA microloans contact: <http://www.acciontexas.org> . For information about other microloan programs, contact local city or municipality.

For online legal information, go to <http://www.businesslaw.gov> .

Financing Your Business

INTRODUCTION

The Small Business Administration was established in 1953 to aid, counsel, and protect the interests of the Nation's small business community. The Agency accomplishes this in part by working with intermediaries, banks, and other lending institutions to provide loans and venture capital financing to small businesses unable to secure financing through normal lending channels. SBA financing is offered through the programs listed below.

SBA'S PROGRAMS OF FINANCIAL ASSISTANCE

- **SBA's 7(a) Loan Guaranty Program:** This program is the SBA's primary lending program and was designed to meet the majority of the small business community's financing needs. In addition to general financing, the 7(a) program also encompasses a number of the SBA's specialized loan programs synopsized in the table below:

7(a) Specialized Loan Programs

SBA <i>LowDoc</i>	Designed to increase the availability of funds under \$150,000 and streamline/expedite the loan review process.
SBA <i>Express</i>	Designed to increase the capital available to businesses seeking loans up to \$250,000 and allows most lenders to use SBA's more efficient and streamlined loan review process.
CAP <i>Lines</i>	An umbrella program to help small businesses meet their short-term and cyclical working-capital needs with five separate programs.
International Trade	If your business is preparing to engage in or is already engaged in international trade, or is adversely affected by competition from imports, the International Trade Loan Program is designed for you.
Export Working Capital	Designed to provide short-term working capital to exporters in a combined effort of the SBA and the Export-Import Bank

Pollution Control	Designed to provide loan guarantees to eligible small business for the financing of the planning, design, or installation of a pollution control facility.
DELTA	Defense Loan and Technical Assistance is a joint SBA and DoD effort to provide financial and technical assistance to defense-dependent small firms adversely affected by cutbacks in defense.
Prequalification Loan Program	A pilot program that uses intermediaries to assist prospective minority, veteran, and women borrowers in developing viable loan application packages and securing loans.
Disabled Assistance	The SBA has not been provided funding for direct handicapped assistance loans, but such individuals are eligible for all SBA loan guaranty programs.
Qualified Employee Trusts	Designed to provide financial assistance to Employee Stock Ownership Plans.
Veteran's Loans	The SBA has not been provided funds for direct loans to Veterans, although Veterans are eligible for special considerations under SBA's guaranty loan programs.

SBA's Certified and Preferred Lenders Program: The most active and expert lenders qualify for the SBA's streamlined lending programs. Under these programs, lenders are delegated partial or full authority to approve loans, which results in faster service from SBA.

- **Certified Lenders:** Those who have been heavily involved in regular SBA loan-guaranty processing and have met certain other criteria. They receive a partial delegation of authority and are given a three-day turnaround by the SBA on their applications. Certified lenders account for nearly a third of all SBA business loan guaranties.
- **Preferred Lenders:** Chosen from among the SBA's best lenders and enjoy full delegation of lending authority in exchange for a lower rate of guaranty. This lending authority must be renewed at least every two years, and the lender's portfolio is examined by the SBA periodically. Preferred loans account for more than 10 percent of SBA loans.

- **SBA's Certified Development Company (504 Loan Program):** This program, commonly referred to as the 504 program, makes long term loans available for purchasing land, buildings, and machinery and equipment, and for building, modernizing or renovating existing facilities and sites. This program is administered through the Certified Development Companies (CDC) listed below.

CDC	Counties Served
AREA 1 Texas Panhandle Regional Development Corporation 415 W. 8 th , P O Box 9257 Amarillo, Texas 79105-9257 806-372-3381 Director: Doug Nelson	Armstrong, Briscoe, Carson, Castro, Childress, Collingsworth, Dallam, Deaf Smith, Donley, Gray, Hall, Hansford, Hartley, Hemphill, Hutchinson, Lipscomb, Moore, Ochiltree, Oldham, Parmer, Potter, Randall, Roberts, Sherman, Swisher, and Wheeler
AREA 2 Caprock Business Finance Corp., Inc. 1323 58 th Street, P O Box 3730 Lubbock, TX 79452-3730 806-762-8721 Director: Tim Pierce	Andrews, Bailey, Borden, Cochran, Crane, Crosby, Dawson, Dickens, Ector, Floyd, Gaines, Garza, Glasscock, Hale, Hockley, Howard, King, Lamb, Lubbock, Lynn, Martin, Midland, Motley, Terry, Upton, Ward, Winkler, Yoakum
AREA 3 Council Finance, Inc. 1026 E. N. 10 th Street, P O Box 3195 Abilene, Texas 79604 325-672-8544 Director: Tom Mann	Brown, Callahan, Coleman, Comanche, Eastland, Fisher, Haskell, Jones, Kent, Knox, Mitchell, Nolan, Runnels, Scurry, Shackelford, Stephens, Stonewall, Taylor and Throckmorton

- **SBA's Surety Bond Program:** By law, prime contractors to the federal government must post surety bonds on federal construction projects valued at \$100,000 or more. Many state, county, city and private-sector projects require bonding as well. The SBA can guarantee bid, performance and payment bonds for contracts up to \$2 million for small businesses that cannot obtain bonds through regular commercial channels. Bonds may be obtained in two ways: prior approval-- contractors apply through a surety bonding agent. The guaranty goes to the surety; and preferred Sureties--preferred sureties are authorized by the SBA to issue, monitor and service bonds without prior SBA approval.
- **SBA's Secondary Market Program:** There is an active secondary market in the loans guaranteed by the Small Business Administration. This market was created to increase the attractiveness of small business lending to the lending community. Through the market, lenders are able to sell the guaranteed portion of SBA guaranteed loans to investors and thereby improve their liquidity and increase their yield on the unguaranteed portion of SBA loans. In addition, the secondary market provides a hedge against future liquidity problems because the guaranteed portion of an SBA guaranteed portfolio may be readily sold by the lender. The market also allows a lender to meet the credit needs of a local small business community by importing capital from other parts of the country.

Quick Reference to SBA Loan Programs

PROGRAM: 7(a) Loan Guaranty Program, the SBA's primary loan program

- Maximum Amount Guaranteed: \$1,000,000 in most cases
- Maximum Loan Size: \$2,000,000
- Percentage of Guarantee (Max.): 75% (85% if total loan is \$150,000 or less)
- Use of Proceeds: Expansion or renovation; construction of new facility, purchase land or buildings; purchase equipment, fixtures, leasehold improvements; working capital; refinance debt for compelling reasons; seasonal line of credit; inventory acquisition
- Maturity: Depends on ability to repay, generally working capital is 5-10 years; machinery/equipment, real estate, construction, up to 25 years (not to exceed life of equipment)
- Maximum Interest Rates: Negotiable with lender: loans under 7 years, max. Prime + 2.25%; 7 years or more, max. 2.75% over prime; under \$50,000, rates may be slightly higher
- Guaranty and Other Fees: Paid by lender (usually passed on to borrower). Loans under \$150,000, fee is 1% of the SBA guaranteed portion. Loans more than \$150,000 up to and including \$700,000, fee is 2.5% of the guaranteed portion. Loans where total loan amount is more than \$700,000, fee is 3.5% of the guaranteed portion. SBA Guaranty exposure: 1 year or less, 0.25%
- Eligibility: Must be operated for profit; meet SBA size standards; show good character, management expertise and commitment, and always show ability to repay; may not be involved in speculation or investment

PROGRAM: CAPLines, Short-term and RLSs; Seasonal, Contract, Builders, Standard Asset-Based, Small Asset-Based

- Maximum Amount Guaranteed: \$1,000,000 (except Small Asset-Based); Small Asset Based \$200,000 (total loan amount)
- Percent of Guarantee (Max.): 75%, see 7(a)
- Use of Proceeds: Finance seasonal working-capital needs; costs to perform; construction costs; advances against existing inventory and receivables; consolidation of short-term debts possible
- Maturity: Up to 5 years
- Maximum Interest Rates: Prime + 2.25%
- Guaranty and Other Fees: See 7(a); Under Standard Asset-Based, no restrictions on servicing fees
- Eligibility: Existing businesses, see 7(a)

PROGRAM: DELTA, The Defense Loan and Technical Assistance Program (DELTA) is a joint effort of the United States Small Business Administration and the Department of Defense.

- Provides financial and technical assistance to defense-dependent small businesses adversely affected by defense reductions.
- Contact District Office for additional information at 1-800-676-1005 or 806-472-7462.

PROGRAM: Export Working Capital Program, 1-page application, fast turnaround; may apply for prequalification letter

- Maximum Amount Guaranteed: \$1,000,000 (may be combined with International Trade Loan)
- Percent of Guarantee (Max.): 90%, see 7(a)
- Use of Proceeds: Short-term working-capital loans to finance export transactions
- Maturity: Matches single transaction cycle or generally 1 year for line of credit
- Maximum Interest Rates: No cap
- Guaranty and Other Fees: See 7(a); no restrictions on servicing fees
- Eligibility: Small business exporters who need short-term working capital; see 7(a) for other qualifications

PROGRAM: SBAExpress, lender approves loan, no restrictions on servicing fees

- Maximum Amount Guaranteed: \$250,000 (total loan amount)
- Percent of Guarantee (Max): 50%
- Use of Proceeds: Same as 7(a); limitations on real estate and construction; may be used for term loans or revolving credits
- Maturity: Term loan same as 7(a); no more than 5 years on revolving line of credit.
- Maximum Interest Rates: See 7(a)
- Guaranty and Other Fees: See 7(a)
- Eligibility: See 7(a)

PROGRAM: International Trade Loan Program, Short- and long-term financing

- Maximum Amount Guaranteed: \$1.25 million
- Percent of Guarantee (Max.): 75%. see 7(a)

- Use of Proceeds: Working capital; improvements in U.S. for producing goods or services; may not be used to repay existing debt
- Maturity: Up to 25 years
- Maximum Interest Rates: See 7(a)
- Guaranty and Other Fees: See 7(a)
- Eligibility: Small businesses engaged or preparing to engage in international trade or adversely affected by competition from imports.
- See 7(a) for other qualifications

PROGRAM: SBALowDoc One-page SBA application to obtain guaranty, quick turnaround after applicant meets lender requirements

- Maximum Amount Guaranteed: \$150,000 (total loan amount)
- Percent of Guarantee (Max.): 85% on loans up to \$150,000
- Use of Proceeds: Same as 7(a) except may not be used to repay certain types of existing debt
- Maturity: See 7(a)
- Maximum Interest Rates: See 7(a)
- Guaranty and Other Fees: See 7(a)
- Eligibility: Same as 7(a); program relies on applicant's character and credit history

PROGRAM: Prequalification Pilot Loan Program, help for women, veterans, and minority business owners in developing a viable loan application package and securing a loan. ON approval the SBA provides a letter of prequalification the business owner can take to a lender. Maximum Amount Guaranteed: \$250,000

- Percent of Guarantee (Max.): 75% (85% if total loan is \$150,000 or less)
- Use of Proceeds: Expansion or renovation; construction of new facility; purchase land or buildings; purchase equipment, fixtures, leasehold improvements; working capital; refinance debt for compelling reasons' seasonal line of credit; inventory acquisition
- Maturity: See 7(a), 504
- Maximum Interest Rates: See 7(a)
- Guaranty and Other Fees: See 7(a)
- Eligibility: Business must be at least 51 percent owned, operated and managed by women, veterans, or minorities. Some rural communities may also qualify. Uses profit and non-profit intermediary, may charge fee. Program focused on credit history, ability to repay, probability of success.

PROGRAM: 504 Certified Development Company Program - Long-term, fixed-asset loans through nonprofit development companies; must create or retain one job per \$35,000 of debenture proceeds.

- Maximum Debenture Amount: Limit on SBA portion of project is \$1,000,000 for job creation or community development goal; \$1,300,000 for public policy goal.
- Percent of Guarantee (Max.): 40% of project (100% SBA-backed debenture); private lender unlimited.
- Use of Proceeds: Purchase of major fixed assets such as land, buildings, improvements, long-term equipment, construction, renovation.
- Maturity: 10 or 20 years only.
- Interest Rates: Interest rates on 504 loans are pegged to an increment above the current market rate for five-year and 10-year U.S. Treasury issues.
- Guaranty and Other Fees: Fees related to debenture, approx. 3%.
- Eligibility: For-profit businesses that do not exceed \$7 million in tangible net worth and did not have average net income over \$2.5 million for the past 2 years.

WHAT IS CCR/PRO-Net?

CENTRAL CONTRACTOR REGISTRATION/PROCUREMENT MARKETING AND ACCESS NETWORK SYSTEMS

<http://www.ccr.gov> and <http://pro-net.sba.gov>

Lubbock District Office Contact : Josie Salinas - 806-472-7462, ext. 104

Welcome to Pro-Net!

Pro-Net is an electronic gateway of procurement information -- for and about small businesses. It is a search engine for contracting officers, a marketing tool for small firms and a "link" to procurement opportunities and important information. It is designed to be a "virtual" one-stop-procurement-shop.

A Search Engine...

Pro-Net is an Internet-based database of information on more than 195,000 small, disadvantaged, 8(a), HUBZone, and women-owned businesses. It is free to federal and state government agencies as well as prime and other contractors seeking small business contractors, subcontractors and/or partnership opportunities. Pro-Net is open to all small firms seeking federal, state and private contracts.

Businesses profiled on the Pro-Net system can be searched by NAICS codes; key words; location; quality certifications; business type; ownership race and gender; EDI capability, etc.

A Marketing Tool...

Business profiles in the Pro-Net system include data from SBA's files and other available data bases, plus additional business and marketing information on individual firms. Businesses on the system will be responsible for updating their profiles and keeping information current.

Profiles are structured like executive business summaries, with specific data search fields that are user-friendly and designed to meet the needs of contracting officers and other potential users.

Profiles provide vendors an opportunity to put a controlled "marketing spin" on their businesses. Companies with "home-pages" can link their web site to their Pro-Net profile, creating a very powerful marketing tool.

A Link to Procurement Opportunities...

As an electronic gateway, Pro-Net provides access and is linked to the FedBizOps (FBO), agency home-pages and other sources of procurement opportunities.

Do you have a customer that is interested in doing business with the government?

SBA is taking a big step in simplifying the way small businesses do business with the Federal Government by integrating PRO-Net with the Central Contractor Registration (CCR) system. PRO-Net is a virtual one-stop procurement shop for government contracting. PRO-Net makes small business profiles available to federal, state and local government contracting officers, as well as to private-sector businesses looking for contractors, sub-contractors, teaming arrangements or partnerships. The CCR is the primary vendor database for the DOD, Transportation, Treasury, and NASA. By integrating the two systems, the need for small businesses to enter the same information into many different databases, if they wish to do business with the government, has been eliminated.

For More Information

- SBA offices are located in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam. For the office nearest you, look under “U.S. Government” in your telephone directory, or contact:
- Home page: www.sba.gov
- Phone: 1-800-U ASK SBA
- Fax: 202-481-6190
- TDD: 704-344-6640
- E-mail: answerdesk@sba.gov

SBA Partners

Inquire at your local SBA office for the location nearest you.

- Business Information Centers (BICs)
- Service Corps of Retired Executives (SCORE)
- Small Business Development Centers (SBDCs)
- U. S. Export Assistance Centers (USEACs)
- Veterans Business Outreach Centers (VBOCs)
- Women’s Business Centers (WBCs)

The SBA ---Your Small Business Resource

All of the SBA’s programs and services are provided to the public on a nondiscriminatory basis.